

March – April
2001



WASHINGTON STATE
GAMBLING COMMISSION

Focus n Gambling

CHANGES TO THE COMMISSION

Ben Bishop Announces Retirement

In March, Executive Director Ben Bishop announced his intention to retire effective September 1, 2001.

In his statement distributed to staff, Bishop stated, "Over the last year, we started a mission to recreate our work culture to make this agency a great place to work and to provide an environment that encourages personal and professional growth. While we have not completed this journey, we can certainly celebrate the fact that we have started the trip. We can also celebrate having the staff, the resources, and the resolve to navigate our trip to its successful end. "

Bishop stated that his decision to retire was difficult as he has been with the agency for more than 20 years, starting on February 2, 1981.

The Commissioners have

authorized a nationwide executive search for his replacement. The information about the position is posted on the Department of Personnel website at www.wa.gov/ess. Deadline for applications is June 1, 2001. The Commissioners are expected to make a selection by the end of July, 2001.

Lacey Headquarters is Moving!!

After twelve years in the building on Woodland Square Loop, and increasing needs for space for our staff, we are excited to announce that the headquarters office will be moving into a new building next month. The anticipated date for the move is Monday, June 18, but much still remains to be done to get our records system and personnel ready to make the re-location. Please bear with us for the next month as we transition to the new building.

(Continued on page 2)

Commissioners:

Liz McLaughlin, Chair
George Orr, Vice Chair
Judge Marshall Forrest (Ret)
Curtis Ludwig
Alan Parker

Ex-Officio Members:

Senator Margarita Prentice
Senator Shirley Winsley
Representative Alex Wood
Representative Jim Clements

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Administration:

Executive Director Ben Bishop
Executive Asst. Shirley Corbett

Human Resources:

Director Phyllis Halliday

Policy & Government Affairs:

Deputy Director Ed Fleisher

Program Managers:

Business Office:

Bob Sherwood

*Communications & Legal Department
and Financial Reporting Services:*

Amy Patjens

Electronic Gambling Laboratory:

Dallas Burnett

Information Services:

Tom Means

Operations:

Deputy Director Bob Berg

Field Operations:

Assistant Director Cally Cass-Healy

Program Managers:

Eastern Region:

James Dibble

Northwest Region:

Greg Thomas

Southwest Region:

John Brinsmead

Tribal Gaming Unit:

Mike Tindall

Licensing Operations:

Assistant Director Derry Fries

Program Manager:

Licensing Services:

Fred Wilson

Organizations/Individuals

Artis Collins

Financial Investigations Unit:

Monty Harmon

Intelligence Unit:

Neal Nunamaker

Special Investigations:

Program Manager:

Paul Swartz

Editor:

Cindy Reed

Layout & Design:

Tawnia Hogue

HEADQUARTERS MOVING (CONTINUED)

Here are a few of the details involved in our move:

- Our P.O. Box 42400 will remain the same.
- Our new physical address will be 4565 7th Avenue SE, Lacey.
- The toll-free in-state number (800-345-2529) will remain the same.
- Our new local number will be 360-486-3440. Instead of using extension numbers, all staff will be issued a unique phone number. In our next newsletter, we will explain the phone tree system and give you more information on specific phone numbers that are often called.
- Calls to our old number of (360) 438-7654 will be forwarded to our new number for about a year.

Here is a little history about the headquarters office, courtesy of a staff member who has been with the agency since 1975:

The Commission's first office was in the basement of the Highways-Licenses Building in Olympia. In 1974, we moved to the Thurston County Court House Annex. In 1976, we moved to the Union Plaza Building (Eastside and Union), then in 1984, we moved to the Jefferson Building where we stayed until 1989 when we moved into the Lacey location.



NATIONAL CONFERENCE FOR PROBLEM GAMBLING TO BE HELD IN SEATAC

The 15th National Council on Problem Gambling conference will be held on June 21-23 at the Doubletree Hotel in SeaTac. The theme for the conference is Building Partnerships for the Future.

This year's conference promises to be bigger and better than ever before. The education programs have been expanded to include new tracks that will feature issues of interest to those in regulatory agencies as well as the gambling industry. Some examples of training track subjects are:

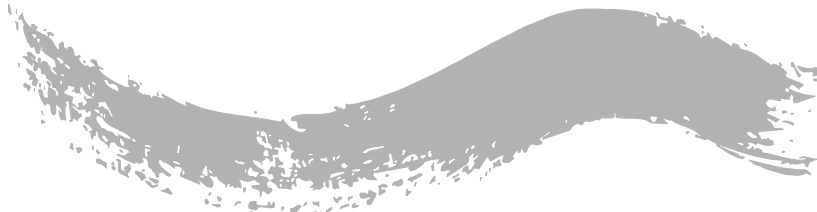
- A look at responsible gambling programs from gaming venues to public policy
- Responsible gaming strategies for casinos and lotteries
- Self-exclusion programs
- Three models of public/private partnerships to address problem gambling – do they work?

The conference will highlight the positive working relationship developed within Washington State between the Gambling, Lottery and Horse Racing Commissions, the Washington State Council on Problem Gambling, and members of the industry such as the Recreational Gaming Association and Washington Civic and Charitable Gaming Association.

If you are interested in attending the conference, you can register on-line at www.ncpgambling.org. If you have further questions, call (253) 537-4529 or send an e-mail to: dsaling@oz.net.



ATTENTION BINGO OPERATORS!



A rules package was filed at the April meeting and will be discussed at the May meeting regarding Promotional Opportunities for Charitable and Nonprofit Organizations.

These proposed rule changes are anticipated to impact small bingo operators by increasing competition among bingo halls. Larger bingo operators may be able to offer more incentives and discounts, which may draw players away from smaller bingo halls. We encourage everyone's input on these proposals.


The first rule change being considered will affect promotional activities. Currently bingo operators may offer 12 promotional activities each year. These activities include player discounts, gifts and coupons. The proposed change would increase the number of promotional activities from 12 to 18. Furthermore, bingo operators would be allowed to offer an unlimited number

of discount coupons for their games.

The second change involves "happy hour" pull tab games. Currently, only commercial businesses can offer "happy hour" pull-tab games in which prizes may be increased under certain conditions. The proposed language change allows charitable and nonprofit organizations the opportunity to offer "happy hour" pull-tab games too. However, nonprofit organizations will only be able to offer one "happy hour" game at a time.

If you would like to comment on these proposed rule changes, please submit them in writing as soon as possible to: Susan Arland, Rules Coordinator, PO Box 42400, Olympia, WA 98504.

The Commission will take a final vote on these rules at their June 15th meeting.



GET TO KNOW THE COMMISSION STAFF

CINDY REED, COMMUNICATIONS COORDINATOR



The official title for Newsletter Editor Cindy Reed is Communications Coordinator.

Cindy has been with the Gambling Commission since May 1984. She started in the Tacoma Field Office as an enforcement officer assigned

primarily to Kitsap, Jefferson, and Clallam Counties. In 1990, she was promoted to the position of Special Agent 3 – Training. In this position she traveled across the state conducting each of the 6 training days held every month.

In 1994, Cindy's responsibilities were upgraded and the title changed to Communications Coordinator. Cindy continues to be involved in the licensee training program as the Mandatory Training Coordinator. She works with the three regional trainers and activity coordinators to prepare and update the training handouts. Cindy has been assigned to various units within the agency, but presently is a member of the Communications and Legal Department, which includes the rules coordinator and staff attorneys.

Cindy's duties include a wide variety of responsibilities including:

- Editor for the 6 editions of the Focus on Gambling as well as 2 editions of the Card Room Connection each year.
- Producing agency training videos and managing the web-based training site for licensee training.
- Answering questions from the public regarding unlicensed activities and

responding to inquiries through the agency web site.

- Liaison with and manager for the contract with the Washington State Council on Problem Gambling.

Cindy received her degree in English/Secondary Education from Eastern Washington University in 1971, completed the Basic Law Enforcement Academy in 1975, and is a 1983 graduate of the FBI National Academy in Quantico, VA. She worked as a commissioned campus police officer/sergeant/detective at Washington State University and Eastern Washington University before coming to the Gambling Commission. She presently serves as the Secretary/Treasurer for the Washington Chapter of the FBI National Academy Associates.

Cindy's goals for the coming year are:

- partner with the card room coordinator and industry to complete web-based training for the card room industry;
- continue to solicit ideas for ways to assist the licensees in gaining voluntary compliance through both the training programs and the newsletter





Financial Reporting Services Reports

The following licensees failed to submit their quarterly reports when due. They have submitted their reports now and paid the appropriate fine based on the number of late reports in the preceding two-year period.

<u>LICENSEE/LOCATION</u>	<u>FINE</u>	<u>YR/QTR</u>
Brass Faucet Tavern/Spokane	\$200	00/4
Brickhouse Pub/Kirkland	\$200	00/4
Caruso's Restaurant/Maple Valley	\$200	00/4
First Street Pub/Shelton	\$200	00/4
Guido's/Chehalis	\$200	00/4
Kirkland Ave. Pub/Kirkland	\$200	00/4
Peter B's Bar & Grill/Chelan	\$200	00/4
Petosa's on Broadway/Everett	\$200	00/4
Redmond Hotel Café/Redmond	\$400	00/4
Vagabond Restaurant/Forks	\$200	00/4

Following is the schedule of fines for reports submitted late. If no report is submitted, the licensee will be issued a statement of charges.

Schedule of Fines	
First Offense.....	\$200
Second Offense.....	\$400
Third Offense.....	\$600
Fourth Offense	No fine
A Statement of Charges is automatically issued.	
<i>See below for Administrative Actions</i>	

Administrative Action from Statement of Charges

Juanita Bay Sports Pub & Eatery Kirkland

Failure to Submit Quarterly Activity Reports in a Timely Manner

Agreed Order. 45 day suspension. 10 days vacated; 20 days deferred by payment of \$1000; 15 days served. Also paid \$210 in investigative and administrative fees and costs.

Washington State Gambling Commission

2001 COMMISSION MEETING SCHEDULE

June 14 & 15

LaConner Country Inn
Meeting at Maple Hall (108
Commercial St)
107 S Second Street
LaConner, WA 98257 – (360) 466-3101

July 12 & 13

DoubleTree Hotel / Yakima Valley
1507 N First Street
Yakima, WA 98901 – (509) 248-7850

August 9 & 10

Howard Johnson Plaza Hotel
3105 Pine Street
Everett, WA 98201 – (425) 303-8284

***September 12 & 13**

Shilo Inn
707 Ocean Shores Blvd NW
Ocean Shores, WA 98569-9593 – (360)
289-4600

***October 10 & 11**

West Coast Ridpath Hotel
201 W North Drive Drive
Spokane, WA 99201 – (509) 459-6100

***November 14 & 15**

Seattle
(Specific Hotel Contract not Confirmed)

***Please Note Meeting Date Changes (to Wednesday/Thursday) Effective Sept., 2001**

Mission Statement

**Protect the public by ensuring that
gambling is legal and honest.**



WASHINGTON STATE GAMBLING COMMISSION ADMINISTRATIVE ACTIONS



LICENSEE	VIOLATION	CASE OUTCOME
Hank's Country Inn, Belfair	Inadequate Surveillance	Agreed Order. 10 day suspension. 5 days deferred; 5 vacated by payment of \$1,344. Also paid \$980 in investigative and administrative fees and costs.
Christos, Bellingham	Inadequate Surveillance	Agreed Order. Licensee agreed to pay \$900 in investigative and administrative fees and costs. The Licensee also agreed to give 10 days notice prior to re-opening their card room.
Magnuson, John (Employed at ZDI Gaming)	Violation of the terms of an Agreed Order by engaging in discriminatory pricing.	Served a 6 day suspension.
ZDI Gaming, Inc., Vancouver	Engaging in discriminatory pricing by loaning an electronic pull-tab dispensing device, through an employee.	Agreed Order. 30 day suspension. 15 days deferred; 15 days vacated by payment of \$900. The licensee also agreed to pay \$1,050 in investigative and administrative fees and costs.
River Bend Casino, Spokane	Allowing two unlicensed persons to work as Card Room Employees.	Agreed Order. 10 day suspension. 5 days deferred; 5 days vacated by payment of \$500. Also paid \$480 in investigative and administrative fees and costs.
Fraternal Order of Eagles #3602, Ocean Park	Failure to deposit gambling funds; inadequate internal controls	Agreed Order. 30 day suspension. 18 days deferred; 12 vacated by payment of \$1,572.



WASHINGTON STATE GAMBLING COMMISSION ADMINISTRATIVE ACTIONS



Spokane Valley Foundation, Spokane	Internal Control Violations	Agreed Order. 30 day suspension. 15 days deferred; 15 vacated by payment of a \$3,500 fine. The licensee also agreed to revise and correct the internal control violations, and to pay for a follow up inspection within six months to ensure that all of the necessary corrections are made.
Rodgers, Aron (Last known employer, New Phoenix, La Center)	Failure to fully disclose Criminal History	The ALJ ordered Mr. Rodgers' license be revoked.
Nuth, Preng (Last known employer, Silver Dollar Casino, Tacoma)	Participating in a theft of tips, while working at Freddie's Club Casino in Renton.	The ALJ ordered Mr. Nuth's license suspended for three years.
Mitchell, Quinn Drift on Inn Roadhouse, Shoreline	Denial based on Criminal History	The ALJ ordered a Conditional License be issued to the applicant. This license is not transferable.
Pac West Vending, Tennessee	Placing Commercial Amusement Games in unlicensed premises	Agreed Order. Licensee surrendered their licenses for one year.
Mr. Ed's Bingo & Casino Supply, Everett	Selling pulltabs to an unlicensed operator	Agreed Order. 30 day suspension. 7 days deferred; 23 vacated by payment of \$1,500.
Yakima Valley OIC	Allowing an unlicensed person to perform consulting duties for their bingo operation.	Agreed Order. 8 day suspension. 3 days deferred. 5 days vacated with payment of \$500.
Fraternal Order of Eagles, #204 Wenatchee	Failure to maintain internal control, resulting in a failure to protect assets.	Agreed Order. 30 day suspension. 25 days deferred; 5 days served from May 17, through May 21, 2001.

Fantasy Sports Betting in Taverns

During the past football season, field staff have noted an increase in taverns offering the opportunity to participate in fantasy sports betting. There was an article on Sports Wagering in Washington in the September/October 2000 edition of the Focus on Gambling explaining the types of sports wagering authorized in commercial businesses. The specific topic of fantasy sports betting had also been addressed in Policy and Opinion 99-01 printed in the July/August 1999 newsletter.

To clarify how the two subjects are related:

- Private individuals may conduct fantasy sports betting as long as it is within the guidelines set forth in the policy; and
- Taverns may NOT conduct or facilitate the conduct of a fantasy sports betting contest because they do not meet the definition of "natural person".

If you have further questions, please contact your field agent.

Policy and Opinion

99-01

SUBJECT: FANTASY SPORTS LEAGUES

RCW/WAC REFERENCE(S): RCW
9.46.0265, RCW 9.46.0269

QUESTION PRESENTED

IS A FANTASY SPORTS LEAGUE THAT REQUIRES A ONE TIME LEAGUE FEE AS WELL AS A WEEKLY WAGERING FEE CONSIDERED TO BE GAMBLING AND

DOES SUCH ACTIVITY CONSTITUTE A VIOLATION OF CHAPTER 9.46 RCW?

FACTS

Several versions of fantasy sports leagues are being conducted throughout Washington State as well as over the Internet. One popular method of conducting the games is as follows:

All participants pay a \$25 one time entry fee and \$10 per each week of the particular sport's season to the league organizer. The league organizer notifies the participants of the process for conducting a draft for players prior to league play; for example, pro football drafts generally occur in early September. Based on the performance of the players selected, the participant's roster earns points on a weekly basis. At the end of each week, 90% of the \$10 weekly fee is awarded to the teams that scored the most points during that particular week and 10% of the \$10 fee is put in the year end pool. At the end of the year, the first place team will be awarded \$100, second place \$40 and third place \$20.

Often, there is no mention of what happens to the \$25 entry fee or what operating expenses are being paid by the league organizer.

CONCLUSION

A fantasy sports league which collects an entry fee and awards prizes based on the performance of the respective teams is gambling as that term is defined in Chapter 9.46 RCW. Participants are wagering something of value on a future contingent event not under their control or influence on the chance of winning a prize. However, the question of whether or not that activity is prohibited requires further analysis. The key to this particular issue involves the \$25 entry fee and the definition of Player as that term is defined under RCW 9.46.0265. Under that statute, Player is defined in the following manner:

"Player", as used in this chapter means a natural person who engages, on equal terms with the other participants, and solely as a contestant or bettor, in any form of gambling in which no person may receive or become entitled to receive any profit there-from other than personal gambling winnings and without otherwise rendering any material assistance to the establishment conduct or operation of a particular activity.

That statute then goes on to state "A natural person who gambles at a social game of chance on equal terms with the other participants shall not be considered as rendering material assistance to the establishment, conduct, or operation of the social game merely by performing, without fee or remuneration, acts directed toward the arrangement or facilitation of the game, such as inviting persons to play, permitting the use of premises for the game, or supplying

cards or other equipment to be used in the games."

Based on the language in this statute, the \$25 entry fee may be used to pay for the expenses of the activity which includes the supplying of other equipment used and the remainder of the \$25 entry fee must be returned to the year end pool. Then the activity would not be in violation of Chapter 9.46 because the activity would fit under the player exception rule set forth in RCW 9.46.0269. **However, it should be noted that the \$25 entry fee must be used for expenses only, and expenses do not include fee or remuneration to any participant for time spent working on the activities. Simply stated, no salaries or wages can be paid, and no one can profit from the activity other than from personal winnings.**

This activity has been around for some time, and this policy applies to the facts as set forth above. Each particular contest must be analyzed according to its particular facts. However, the bottom line is that the money must go back to the participants, less a reasonable amount for expenses that do not include salaries or wages to any of the participants.



Just the FAQ's: LICENSING/ORGANIZATIONS SECTION



1. How long will it take to get a license?

Our average processing time is sixty days from the date a completed application is received. The length of time needed for processing may depend upon one or

more of the following factors:

- the complexity of the file;
- what type of license you apply for;
- how quickly you provide any requested information; and
- whether or not the type of application you applied for will have to go before the commission prior to receiving a license.

The initial request for additional information requires that the information be returned within 20 days from the receipt of the letter. Any follow up letters will allow **no more than 10 days** to return the requested records. Failure to respond to a letter may result in your file being administratively closed.

2. How long does it take to process an application for a House Banked card room?

Again, this depends primarily on the applicant.

If the business is ready to begin operations, has completed every phase of the internal controls, and provided everything requested in a timely manner, then it could be as little as 90 days. However, there are many factors that generally cause the approval

process to take longer.

In addition to providing requested records, each applicant must pass two pre-operational reviews, one conducted by Field Operations staff and the other by the Financial Investigations Unit (FIU). Once all requested licensing information has been received and approved and the pre-operational inspections have been completed, the application is ready for presentation to the Commission for approval.

With at least two weeks notice from staff, the application can be placed on the next month's Commission agenda where the application will be voted on. If all phases of the review are completed less than two weeks before the Commission meeting, then final approval will be delayed until the following month's Commission meeting. All phases of requirements will be brought before the Commission in the form of a report presented by the Licensing Assistant Director. A business representative will be asked to attend the Commission meeting to answer any questions that the Commissioners might have regarding the business.

3. I'm in the process of selling my business. If I receive a renewal notice before the sale is completed, do I have to pay the full amount for the license, even though I won't be operating for a full year?

No. If you have signed a purchase

agreement prior to renewal, you can request that your renewal be downgraded. You are required to submit documentation explaining why you want to be downgraded, along with the purchase agreement and completed renewal application and fees.

4. What if I sell the business when I have had the license for less than a year? Can I get a refund since I won't be operating a full year?

If you sell in the middle of the year, there is no refund for discontinuing your business per WAC rule 230-04 –220 (1), Prorating and Refunding of Fees.

5. I am thinking about selling my business. How can I make sure that there is no down time for gambling activities for the buyer when the purchase closing is completed?

The Purchase Agreement for the purchase of your business should be written with a contingency clause that states: "Closing will be upon approval of the gambling license". The Gambling Commission staff will then complete the normal processing of the application without requiring the closing documentation until later.

Once our investigation is complete, a commitment letter is sent to the buyer stating that they are approved for a gambling license pending receipt of the closing documents. The buyer is instructed in the letter to advise the Technician processing their file at least 48 hours prior to closing, so that a license may be prepared for the new owners. The new owners may pick up the license or have it mailed once the closing documents have been reviewed and approved by the Technician. **In all cases**, the previous owner's gambling license becomes invalid upon closing.

6. Can I pay my gambling license fees at my local Gambling Commission office?

No. All application fees are required to be sent through the U.S. Postal service or delivery service to the WSGC headquarters office, or paid over the counter at the Lacey headquarters office. Neither your local special agent nor the field offices are authorized to accept licensing fees or fines.

7. What happens if my check is returned for NSF check charges during the renewal process? How are NSF checks handled for an original application?

We will make two attempts to deposit your check. If **your** check is returned as NSF after the second attempt, the license you received will become invalid. **You will not be allowed to conduct any gambling activity until you have paid the license fee with a cashiers check, money order, or cash (if paid over the counter) at the Lacey headquarters office.** In addition, there will be a \$15.00 NSF check charge that must be paid at the time you submit the renewal fees.

If you submitted an application and your check is returned, no further work will be done on your file until all fees are paid along with a \$15.00 NSF check charge.





Rule Changes



REMOVED FROM COMMISSION MEETING AGENDA

Electronic gambling devices used in promotional contests of chance.

WAC 230-46-080 Electronic gambling devices used for promotional contests of chance.

RCW 9.46.0356 (6) states that equipment or devices made for use in a gambling activity shall not be used in a promotional contest of chance, unless the device has been approved by the commission. In September 2000, a business requested approval to use an electronic gambling device in conjunction with a promotional contest of chance. A new rule setting specific requirements the machines would need to meet was filed at the January 2001 Commission meeting.

Based on comments received at the January and February meetings, Commission staff met with the industry to further discuss this rule. Staff determined that a rule was not necessary at this time. It is better to wait to see what devices are introduced by the industry and process requests on a case by case basis. Therefore, this rule was removed from the agenda at the March meeting.

UP FOR FINAL ACTION AT THE MAY MEETING

Electronic Facsimiles of Cards

A business, Digideal, has requested approval of a device that produces electronic facsimiles of cards for use in card games. This device would be an option for card room operators and tribal

casinos and would replace standard, paper playing cards with an electronic facsimile of a playing card (a video picture). The device would contain one or more decks of cards in an electronic format. The electronic cards would be mixed through a random number generator to ensure they are properly "shuffled." It will undergo stringent lab testing prior to being put into play.

WAC 230-40-010 Social card games—Rules of play—Types of card games authorized.

Language was added to this rule to authorize electronic facsimiles of cards for use in card games. Housekeeping: Subsection (1)(g) sets out approval and posting requirements for house rules. This section was moved to a new rule WAC 230-40-505 (see card room rules below). Now all requirements relating to commercial card room's house rules are located in one rule.

WAC 230-40-070 Licensee to furnish all cards, chips and other services.

The testing requirements electronic card facsimile devices would have to undergo are set forth in this rule. Each manufacturer would have their device tested by a licensed game-testing lab to ensure the requirements are met. The manufacturer would pay for the cost of the testing.

Petition for Rule Change by William Krapf

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WAC 230-04-190 Issuance of license – Expiration – Restrictions.

Mr. William Krapf submitted a Petition for Rule Change, which was filed at the March 2001 Commission meeting. Currently, licensees can take advantage of a two-part payment plan if their licensing fees are \$1,200 or more. Due to a decline in business and revenue, Mr. Krapf would like to reduce the threshold amount, from \$1,200 to \$800. When the agency first started the two-part payment plan, the threshold amount was \$800. During our growth period, the threshold was increased to \$1200.

Approximately 700 licensees currently take advantage of the two-part payment plan. Approximately 480, licensees will be able to take advantage of the two-part payment plan if this amendment is adopted. Staff supports this petition.

UP FOR DISCUSSION AT THE MAY MEETING

The following two rules packages were filed at the April meeting and discussed at the May meeting.

Promotional Opportunities for Charitable and Nonprofit Organizations.

(Please see article on page 4- "Attention Bingo Operators")

WAC 230-20-125 Discounts and promotional gifts – Authorized - Limits

Currently bingo operators may offer 12 promotional activities each year. These activities include player discounts, gifts and coupons. Language was amended to

increase the number of promotional activities from 12 to 18. Furthermore, bingo operators can now offer an unlimited number of discount coupons for their games.

WAC 230-30-106 Punchboard and pull-tab flares restrictions – Standards – Substitute flares.

Currently, only commercial businesses can offer "happy hour" pull-tab games in which prizes may be increased under certain conditions. Language was amended to allow charitable and nonprofit organizations the opportunity to offer "happy hour" pull-tab games too. However, nonprofit organizations will only be able to offer one "happy hour" game at a time.

Card Room Rules

In May 2000, the Commission adopted the largest rules package in the history of the Gambling Commission – the card room rules package. Since that time, staff and licensees have been operating under these rules. For the past several months, staff has been working on changes to some of these rules to incorporate comments and concerns brought forward by both staff and licensees.

The titles of some rules have been changed so they will be easier to locate when using the index in the front of the chapter in the rules manual. Furthermore, four rules have been moved from other sections to the card room rules section so they will be located with the other card room rules and hopefully easier to find.

Amendments have been proposed to the following rules. Additionally, four new rules and two repealed rule (as noted below) are also included in this rules package. The Commission will take a

(Continued on page 16)

(Continued from page 15)

final vote on the rules at their meeting on June 15, 2001. If passed they would become effective July 16, 2001.

WAC 230-40-055 Card tournaments for fee and prizes – Reporting requirements.

This rule outlines the requirements an operator must follow when offering card tournaments. Currently, operators may charge a player a maximum of \$50 to enter a tournament. This method was established for poker games when chair fees (fees based on time) were the only method of fee assessment allowed. This method of fee assessment does not translate over to operators that collect fees using the rake method (fees based on amounts wagered during a hand). Therefore, language was added so licensees that utilize the rake method to assess fees may qualify tournament contestants based on time played, not monies spent.

Currently, tournament rules must be posted at an operator's premises and listed in all advertisements. Because tournament rules are available at the establishment, it is proposed that they not also be listed in advertising. This will help reduce an operator's advertising costs.

Housekeeping: References to WAC 230-12-075 in subsections (7) and (8) will be removed, as this rule has been previously repealed.

WAC 230-40-610 Player-supported jackpots – Restrictions – Manner of conducting – Approval.

This rule outlines the procedures for offering a player-supported jackpot (PSJ).

Numerous changes have been made to this rule. First, language was amended to clarify that interest earned on PSJ funds are considered player money and licensees have no vested interest in it.

Currently, licensees are allowed to deduct 10% from a PSJ to cover administrative costs associated with operating the PSJ. This deduction was intended to cover all fees, including banking fees, incurred by the licensee. Therefore, language was added to clarify that licensees shall not deduct any funds in excess of the 10% administrative fee to cover banking fees.

This rule requires owners and on-duty card room employees to show their cards at the end of each game. This rule was amended so owners and card room employees will no longer be required to show their hands at the conclusion of any game where PSJ winnings are paid based on a predetermined hand (for example, a straight would pay \$25; a flush would pay \$30, etc.). However, for Bad Beat Jackpots, owners and card room employees will continue to show their hands at the end of each game.

Currently, the winner's name, date of birth, mailing address, and identification are recorded on a form by the card room employee at the cage. The winner must then initial the form. The proposed change would eliminate the need for the winner to initial the form.

Last year, the commission received a petition to amend this rule. The petitioner requested that discontinued PSJ funds only be distributed back to players, in a tournament offering the same type of game under which the PSJ was established and that licensees not be allowed to give PSJ funds to the Washington State Council on Problem Gambling (WSCPC). The petitioner also requested that licensees give 30 days notice of a pending closure and that

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players be notified of upcoming tournaments to disburse PSJs.

The Commission felt all of these changes would be too cumbersome for licensees and therefore, denied the petition. Since that time, staff has been working to incorporate some of the petitioner's requested changes into this rule. As a result, licensees which discontinue a PSJ must now distribute PSJ funds back to players within 60 days, in a tournament offering the same type of game under which the PSJ was established, or in an approved promotion. Furthermore, PSJ funds could be given to the WSCPG if a card room closes, as long as this is posted for licensees to see.

WAC 230-40-803 Phase II wager limits – Restrictions – Procedures.

Currently, a licensee must wait six calendar months from the date they are approved to offer house-banked card games to when they can *request* approval to offer Phase II betting levels. At times, a licensee's six-month term may end a day or week after a Commission meeting is held. Therefore, licensees have to wait until the following month before they can go before the Commission to request Phase II approval. Therefore, the following version was presented at the April meeting:

Original: Language was amended to define six months of operation for the purpose of approving licensees for Phase II limits. Licensee can now request Phase II approval after waiting six regularly scheduled Commission meetings from when they were initially approved to offer house-banked card games. This change will allow the Commission to formally approve licensees closer to their six month operating date.

At the April meeting, the Commission requested that two alternative versions of this rule be discussed at the May meeting.

Alternative #1: The Commission requested that the language defining six operating months included in the April agenda version of this rule be removed. Language was added so that an operator may *receive* approval for Phase II limits, prior to operating six months, however, they cannot begin operating at Phase II levels until they have operated for a minimum of six months.

Alternative #2: A Commissioner also requested a version of this rule wherein the director would be given the authority to approve Phase II operating levels for card rooms, instead of these approvals going before the five-person commission.

WAC 230-40-805 ((House-banked)) Progressive jackpot prizes – Procedures – Restrictions – House-banking.

The proposed change would allow licensees to reduce non-advertised reserve or secondary jackpots and claim the money as gross receipts. This would assist licensee by allowing more flexibility in the use of funds.

Players have a vested interest in only advertised prizes. Therefore, language was added to clarify which portion of the progressive jackpot monies are considered house money and which are considered player money.

An amendment was made to allow licensees to use a portion of the progressive jackpot monies to purchase merchandise prizes to be awarded in

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conjunction with the game. New language was added to outline the requirements licensees must adhere to when awarding merchandise prizes.

In the past, it has not always been clear how a licensee should disburse advertised progressive jackpots to players in the event the licensee discontinues the game. Therefore, language was added to clarify how this will be done.

At the April meeting, the Commission requested that two alternative versions of this rule be discussed at the May meeting.

Alternative #1: April agenda version: Language was added to clarify that licensees are to pay progressive jackpot winners immediately.

Alternative #2: This alternative would require jackpots of \$5,000 and less to be paid out immediately. Any amounts over \$5,000 would need to be paid within 24 hours.

WAC 230-40-815 ((House-banked card games –)) Administrative and accounting control structure – Organization – House-banking.

The proposed amendment clarifies that licensees shall inform their employees of the internal controls related to their job and ensure that the internal controls are followed at all times. Housekeeping: The requirement that surveillance employees be knowledgeable of their duties was moved from WAC 230-40-825 (below) to subsection (3)(a)(viii) of this rule.

REPEALED RULE: WAC 230-40-820 House-banked card games – Internal control system evaluation – Required procedures.

Currently, staff conducts four compliance modules, per month, in various gaming areas of each house-banked gaming facility. In addition to these modules, licensees with annual gross receipts exceeding five million dollars must pay for and undergo a formal review by an independent auditor each year. Staff and the industry feel oversight by both staff and an independent auditor is duplicative.

We have received a letter from Mr. Ralph Conner, certified public accountant at LeMaster & Daniels, an accounting and consulting service. In the letter, Mr. Conner states that he is not for or against reducing or removing the independent audit requirement, however he did point out concerns for consideration. Balam Consulting submitted a letter stating that CPA firms should continue to conduct accounting/records/financial audits, however experienced, qualified gambling service providers should provide internal control evaluations. This would reduce costs to licensees.

WAC 230-40-825 Closed circuit television system ((requirements and procedures)) – House-banking.

This rule has been totally rewritten for clarification and to gain consistency among all surveillance systems operated in a card room. Furthermore, surveillance requirements for both Class F and house-banked card rooms are in this rule. Class F requirements have now been moved to a new, separate rule, WAC 230-40-625 (below). This will make locating the surveillance requirements for the two types of card rooms easier for licensees and staff.

NEW RULE: WAC 230-40-625 Closed

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circuit television system requirements and procedures – Class F.

Currently, surveillance requirements for both Class F and house-banked card rooms are in WAC 230-40-825 (above). This new rule is the result of the Class F requirements being moved to a separate rule. This will clarify the surveillance requirements for the two different types of licensees and make it easier for both staff and licensees to locate the requirements in the rules manual.

WAC 230-40-830 Cashier's cage – Requirements – House-banking.

This rule change allows house-banked card rooms, which offer poker games, to sell chips through an imprest window at the main cage, or other location approved by commission staff. This would allow licensees to operate their poker room in a more efficient manner.

WAC 230-40-840 Drop boxes - ((Requirements)) House-banking – Drop box collection method.

The proposed amendment allows count team members to remove drop boxes from gaming tables under the supervision of security personnel, if the card room entrances and exits are locked. Furthermore, licensees would be allowed to store empty drop boxes on gaming tables, if the boxes and tables are taped by surveillance cameras. This will allow the licensees to more effectively utilize their on-duty staff and not require additional staff to be present.

WAC 230-40-865 ((Procedures for)) Distributing ((gaming)) chips and coins to ((house-banked gaming)) tables – Requests and credits – House-banking.

The proposed change allows a licensee's security officers access to the fill/credit machine for the sole purpose of clearing paper jams within the machine.

WAC 230-40-870 ((Procedure for)) Removing ((gambling)) chips and coins ((to house-banked gaming)) from tables – Requests and credits - House-banking.

The proposed change allows a licensee's security officer access to the fill/credit machine for the sole purpose of clearing paper jams within the machine.

WAC 230-40-875 ((Procedures for)) Closing ((house-banked)) gaming tables – House-banking.

This proposed change clarifies how a licensee will handle "voided" closing documents. This will allow both the licensee and commission staff to better track the serially, pre-numbered forms used to close the gaming tables each day.

WAC 230-40-885 ((Counting and recording contents of drop boxes –)) Count procedures – House-banking.

Procedures for counting and recording the contents of drop boxes for both house-banked and nonhouse-banked card rooms were located in this rule. Subsection (8), which outlines the count requirements for nonhouse-banked card rooms, has been moved to a new, separate rule WAC 230-40-630 (below). This will make locating count requirements for Class F card rooms easier to find.

Furthermore, subsection 5(i) has been removed because it is not part of the agency's current

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record keeping requirements. The rule will now be consistent with what records the agency requires from licensees.

**WAC 230-40-895 Key control
((requirements and procedures)) =
House-banking.**

The proposed amendment separates the security and surveillance departments. This rule change further defines key lock mechanisms that can be used in the operation of house-banked card rooms and clarifies which keys each department must maintain.

**REPEALED RULE: WAC 230-40-897
Card game promotions – Procedures –
Restrictions.**

Currently, this rule requires all card room promotions to be approved by Commission staff. Specific promotion requirements will now be set forth in a new rule, WAC 230-40-455 (below). Therefore, Commission approval will no longer be required.

**NEW RULE: WAC 230-40-455
Promotions for card games –
Procedures – Restrictions.**

Currently, WAC 230-40-897 (above) requires all card room promotions to be approved by Commission staff. This new rule defines the parameters and requirements under which licensees can offer promotions in conjunction with the card games. Therefore, staff approval for each game is no longer needed. Furthermore, the value of promotional items card rooms may offer players is currently limited to \$50. Proposed language has been added so licensees can offer cash or merchandise prizes, with no limit on the value.

Promotions can be offered in all card rooms, therefore, this rule was assigned a new section number so that it will be located in the general

area of the card room rules section, not in the house-banked section.

**NEW RULE: WAC 230-40-505 Rules of
play for social card games – Display –
Availability for review.**

Currently, requirements for approval and posting of house rules are located in several rules. This proposed new rule consolidates these requirements into one new rule. Subsections from several rules (WAC 230-40-010(g), 230-04-120 (3) and 230-40-610(10)) have been moved into this rule. Because the house rules relating to player-supported jackpots (230-40-610(10)) are specific to player-supported jackpots, they will remain in 230-40-610. However, they will also be included in this new rule.

HOUSEKEEPING:

**WAC 230-08-027 House-banked card
games - General accounting records to
be maintained.**

Amended and re-codified as:

**WAC 230-40-821 General accounting
records – House-banking.**

Subsection (6) was divided into
subsections (7) & (8), for clarity.

**WAC 230-08-090 Daily records – Card
games.**

Amended and re-codified as:

**WAC 230-40-052 Daily records – Card
games.**

This rule sets forth record keeping requirements to be kept by card rooms. Therefore, it will be moved from Chapter 230-08 (Records and Reports) to Chapter 230-40 (Card Rooms) so it will be located with the card room rules.

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WAC 230-12-072 Player-supported jackpot funds – Deposit requirements.

Amended and re-codified as:

WAC 230-40-608 Deposit requirements – Player-supported jackpot funds.

This rule was assigned a new section number under the Class F requirements and re-titled so it is easier to find. Furthermore, WAC 230-08-090 (above) which is referenced in this rule has been assigned a new section number. Therefore, references to WAC 230-08-090 have been changed to WAC 230-40-052.

WAC 230-12-073 House-banked card games – Prizes – Deposit requirements.

Amended and re-codified as:

WAC 230-40-808 Deposit requirements for prizes – House-banking.

This rule was assigned a new section number under the house-banking section. Furthermore, WAC 230-08-090 (above), which is referenced in this rule, has been assigned a new section number. Therefore, references to WAC 230-08-090 have been changed to WAC 230-40-052.

WAC 230-40-050 Fees for non-house-banked card games - ((playing - Method of)) Assessment and collection – Maximum fees.

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WAC 230-40-050 Fees for nonhouse-banked card games - ((playing - Method of)) Assessment and collection – Maximum fees.

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WAC 230-12-072 and 230-12-073 (above), which are referenced in this rule, have been assigned new section numbers. Therefore, references to these rules have been changes to WAC 230-40-608 and 230-40-808, respectively.

Up for discussion and Possible Filing at the May Meeting.

Petition for Rule Change from Mr. Walker.

WAC 230-04-202 Fees - Bona fide charitable/nonprofit organizations.

We have received a Petition for Rule Change from Richard Walker. Mr. Walker operates Wild Bill's Interactive Events of Portland, Oregon, a casino distributor company. Mr. Walker feels the Limited Fund-Raising Event (FRE) licensing fee of \$339 is too high and discourages charitable and nonprofit organizations from offering Limited FREs. According to an e-mail from Mr. Walker to agency staff, a typical Limited FRE in Oregon would raise between \$3,000 to \$4,000. His company's fee would be \$2,000 to \$2,500. This leaves a profit of \$500 to \$1,500. Given these costs, he feels our licensing fee of \$339 is too high and decreases the incentive for organizations to run limited FREs. Mr. Walker feels if licensing fees were lowered, more organizations would offer Limited FREs.

Mr. Walker has requested that a licensing fee of \$50 be set for limited fund-raising events operating up to four hours.

The cost to process a Limited or regular FRE application is the same. The agency has only issued one limited FRE licensee,

therefore, there are too few to assess regulatory impacts at this time. Initially it may be more expensive to regulate Limited FREs, as this is a new activity. Furthermore, if the license fee is decreased now and we later find that the fee is inadequate to cover regulatory costs, our agency is restricted by the limits imposed under I-601 and would be unable to raise the fee to cover costs. Therefore, staff is reluctant to lower the fees at this time and does not support this petition.

Operational Questions/Regional Offices

Lynnwood	(425) 776-6751	Tacoma	(253) 471-5312	Spokane	(509) 456-3167
Bellingham	(360) 738-6203	Yakima	(509) 575-2820	Wenatchee	(509) 662-0435

Headquarters Lacey (800) 345-2529 or (360) 438-7654

Extension Numbers

Administration/Media Questions	302	Administrative Charges and Cases (Compliance and Hearings)	423
Media Questions	324/374		
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Business Promotions/Contest of Chance	374	Regulatory Questions/Field Operations	*

* Call the closest regional office listed above

**Washington State Council on Problem Gambling
(800) 547-6133**

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